

Message Text

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ACTION EA-09

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E.O. 11652: GDS
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SUBJECT: US AND JAPANESE RELATIONS WITH VIETNAM

REF: STATE 66450

SUMMARY. FONOFF OFFICIAL RESPONSIBLE FOR GOJ-DRV RELATIONS WELCOMED START OF US EFFORT TO NORMALIZE RELATIONS WITH VIETNAM, BUT URGED DELIBERATE PACE. HE THOUGHT THAT TOO-HASTY US-VIETNAM RAPPROCHEMENT COULD HAVE ADVERSE IMPACT ON GOJ EFFORT TO COMPEL HANOI TO ACCEPT OBLIGATION TO REPAY SAIGON DEBTS AS PRICE FOR FURTHER AID. THOUGH SAIGON DEBT ISSUE REMAINS UNRESOLVED, JAPANESE PROCEEDING WITH \$5 MILLION PROJECT TO DRAMATIZE BENEFITS OF DEALING WITH JAPAN. END SUMMARY.

1. EMBOFF BRIEFED MOFA FIRST SOUTHEAST ASIA DIVDIR CHIHIRO TSUKADA MARCH 30 ON WOODCOCK MISSION ALONG LINES REFTEL AND IN RETURN RECEIVED UPDATE ON ON JAPANESE-VIETNAMESE RELATIONS.

2. TSUKADA NOTED BRIEF EXCHANGE BETWEEN PRESIDENT AND PRIMIN FUKUDA ON WOODCOCK MISSION, AND PHAN HIEN'S MARCH 26 LINKING, ACCORDING TO VNA, OF AID AND DIPLOMATIC RELATIONS. HE REPEATED THAT GOJ WELCOMED US INITIATIVE,

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BUT SAID ALSO THAT GOJ HOPED US WOULD PURSUE NORMALIZATION WITH CARE. TSUKADA ADDUCED FAMILIAR REASONS FOR MEASURED APPROACH (TO AVOID UPSETTING SOUTHEAST ASIANS OR ENCOURAGING HANOI TO HOLD OUT FOR MAXIMUM TERMS), AND ADDED CONSIDERATION SPECIFIC TO JAPAN: IMPACT OF US-VIETNAM DIALOGUE ON JAPAN-VIETNAM DEBT RESCHEDULING NEGOTIATIONS.

3. GOJ HAS HELD, TSUKADA CONTINUED, THAT HANOI MUST AGREE TO REPAY CREDITS EXTENDED TO SAIGON BEFORE ANY FURTHER JAPANESE CREDITS CAN BE GRANTED. PROSPECT OF SPEEDY US-DRV NORMALIZATION ON TERMS FAVORABLE TO HANOI WOULD REDUCE VIETNAMESE INCENTIVE TO ACCEPT JAPANESE POSITION. NOT ONLY WOULD VIETNAMESE POSITION STIFFEN, BUT ALSO JAPANESE LEFT AND INTERESTED BUSINESS CIRCLES WOULD LIKELY COMPLAIN THAT FONOFF INFLEXIBILITY WAS ALLOWING US TO STEAL MARCH ON JAPAN VIS-A-VIS VIETNAM.

4. DISCUSSIONS WITH VIETNAMESE ON DEBT QUESTION WERE EXPECTED TO RESUME AFTER AMBASSADOR HASEGAWA'S RETURN TO HANOI ON APRIL 6. JAPANESE OBJECTIVE WAS TO SECURE VIETNAMESE ACCEPTANCE IN PRINCIPLE OF RESPONSIBILITY FOR SAIGON'S DEBTS (APPROXIMATELY \$50 MILLION) AND ON THAT BASIS RENEGLIATE EASIER TERMS. UNTIL THIS WAS ACCOMPLISHED, GOJ LENDING INSTITUTIONS WERE LEGALLY BARRED FROM EXTENDING NEW CREDITS. IN COURSE OF TALKS, FONOFF WAS PREPARED TO REVEAL IN GENERAL TERMS PROBABLE EXTENT AND FORMS OF NEW AID (TSUKADA DID NOT MENTION A SUM).

5. MEANWHILE, TSUKADA SAID, JAPANESE WERE PROCEEDING WITH \$5 MILLION LOAN TO CORN-RAISING PROJECT IN VICINITY OF THAI NGUYEN, NORTH OF HANOI. OSTENSIBLY, LOAN BEING EXTENDED BY ZENNO (JAPANESE FEDERATION OF AGRICULTURAL COOPERATIVES), BUT 80 PERCENT OF FUNDS, CONFIDENTIAL

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EMBASSY TOLD BY NEW ZEALAND EMBOFF, WOULD BE PROVIDED BY LOAN TO ZENNO BY GOJ'S JAPAN INTERNATIONAL COOPERATION AGENCY (JAICA).. TSUKADA DESCRIBED CORN PROJECT AS "BAIT," INTENDED TO KEEP VIETNAMESE CONSCIOUS OF DIVIDENDS REALIZABLE BY DEVELOPING ECONOMIC RELATIONSHIP WITH JAPAN. BECAUSE DISCUSSION OF THE PROJECT HAD BEEN INITIATED FIVE YEARS AGO, BEFORE VIETNAM'S UNIFICATION, FONOFF COULD JUSTIFY EXCLUDING IT FROM PROHIBITION AGAINST NEW CREDITS UNTIL DEBT QUESTION SETTLED.

6. ASKED TO CHARACTERIZE JAPAN-VIETNAM RELATIONS OVERALL, TSUKADA REPLIED THAT TWO GOVERNMENTS HAD COME TO KNOW ONE ANOTHER WELL ENOUGH THAT THEY COULD DISCUSS PROBLEMS "QUITE FRANKLY," AND OCCASIONAL DELIBERATE IRRITATIONS BY EITHER SIDE DID NOT JEOPARDIZE RELATIONSHIP. HOWEVER, HE HIMSELF WAS "FED UP" WITH VIETNAMESE OFFICIALDOM. HANOI'S DIPLOMATS WERE CIVIL AND EAGER TO IMPROVE TIES,

BUT THEIR ASSURANCES EVIDENTLY BORE NO WEIGHT IN
HANOI. JAPANESE OFFICIALS TRAVELLING TO HANOI ENCOUNTERED
GREAT DEAL OF BOORISHNESS AND IDEOLOGICAL PEDANTRY.
SHOESMITH

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